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Guatemala

Poultry and Products

Production and Consumption

2005

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Report Highlights: Since the tariff reduction for poultry imports took effect in 2001, U.S. exports to Guatemala have increased 12% each year, reaching its highest value ever in 2004 at \$ 41.7 million. During the CAFTA negotiations, Guatemala's national poultry association was able to protect local production for at least 10 years, establishing a quota of 21,810 MT at 15% tariff and a 164.4% consolidated out-of-quota tariff that will take effect in January 2006. Poultry exports to Guatemala in 2006 are forecast to drop 50% compared to 2005 (43,540 MT to be completed by December 05).

Includes PSD Changes: No
Includes Trade Matrix: No
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I. SITUATION AND OUTLOOK

Guatemala had a 7,000 MT quota with 15% tariff before 2001. The previous government, run by the populist Frente Republicano Guatemalteco (FRG), increased the TRQ to 39,452 MT and a 5% tariff to force the wealthy poultry owners to lower prices. This greatly stimulated U.S. exports, and by 2004 poultry exports reached the highest value ever reported (\$ 41.7 million). Under CAFTA, the TRQ has been lowered to 21,800 MT and a 15% tariff, but a 164.4% consolidated tariff out of quota. Guatemala has the productive capacity to cover all domestic demand, and U.S. exports were able to provide almost 30% of the local consumption due to the highly competitive, less expensive leg quarter. Seventy-eight percent of the Guatemala's broiler production plants are technically advanced. Guatemala's biggest producer, Multi Inversiones (which includes the highly successful Campero fast food franchise) recently bought the biggest Costa Rican broiler plant to cover the Central America market.

Production

Guatemala's poultry production is managed exclusively with local investment. Three main groups represent the industry: Multi Inversiones (owner of Campero restaurants in Central America and franchises in other countries, controlling poultry production and feed formulation), Pesca, Areca y FRISA (PAF), and small producers. Small producers account for 22% of the poultry production. All groups are represented in the National Poultry Producers' Association (ANAVI). ANAVI started working closely with the Ministry of Agriculture, Livestock and Food (MAGA) in 2003 to ensure both meat and eggs were produced under a sanitary program that would assure long-term stability for the poultry sector. Egg production also runs under local investment for the most part, except for Julia Farm, which is owned by a firm from El Salvador.

Poultry meat production in 2004 was 134.99 thousand MT. Production is expected to increase to 145.15 TMT in 2005, and to rise a further 25% to 181.44 TMT in 2006. Before trade barriers were eliminated in 2002, local production had already reached 145.15 TMT/year, but imports displaced 41.73 TMT in 2002/03. Ninety-three percent of chicken imports are U.S. products (mainly Tyson and Hudson brands), and 75% of the turkey imports are also American. Potential competitors to the United States are Nicaragua (TIP-TOP brand) and Panama (MELO).

There are 10 registered slaughtering facilities in Guatemala and around 300 broiler producers throughout the country. Seventy-eight percent of the chicken meat production comes from modern vertically integrated operations to increase production yields, improve food quality and control diseases. Modern technology has been introduced from the U.S., Israel, Europe, Mexico and Brasil. The average live weight is 4.0 pounds and 3.2 pounds to market for broilers. The average grow-out period is 6 to 7 weeks (40 days average), with a feed conversion ratio of 1.85:1 in the modern farms and 2.00:1 in the minor ones. The conversion ratios in the past were 2.25:1. The 2 main reasons for higher efficiency in today's production are improved genetics and improved feed formulations.

Genetics have been imported from the U.S. and Europe, introducing Arboracress, Hubbard, Hybro, Avian Farm and Ross mix races. Feed formulation is based primarily on yellow corn and soybean meal imported from U.S. In 2004, Guatemala imported \$64 million of yellow corn and \$43 million of soybean meal from the United States. Feed formulation is technically advanced as well, providing for exact amounts of macro and micronutrients (including minerals and vitamins) using lab composition analysis to provide specific formulations.

No hormones are allowed for poultry production. All veterinary drugs and vaccines have to be approved by the Avian Technical Commission, composed of MAGA, the College of Veterinarians, the Veterinary Faculty of the Universidad de San Carlos de Guatemala (state university), and ANAVI. This commission is also responsible for planning the country's poultry and egg production strategy. Plans for 2006 are focused on working closely with APHIS to request certification for free areas of pullosis (*Salmonella pullorum*) and avian typhoid (*Salmonella gallinarum*). *Salmonella* has tested negative (i.e., no presence) for the last 2 years under the surveillance program. The sanitary and surveillance programs at MAGA are supported by ANAVI, with 22 permanent veterinarians under the sanitary program and some extra ones working in the surveillance.

In 2003 a project was carried out to locate by GPS means all farms under production, both for meat and egg, and a distribution map is now available.

Although poultry production is distributed throughout the country, the majority of the meat is produced in the Department of Escuintla (south) and egg production is mainly concentrated in the central region (Guatemala, Chimaltenango and Sacatepequez Departments). Programs to eradicate avian influenza (H5N2) are focused on the central region at egg production farms, where serological activity is still present with 30% incidence. This is a major accomplishment since the incidence for avian influenza in 2000 was at 70%. In the poultry production farms, avian influenza was detected at 4% incidence in 2005. Highly pathogenic avian influenza has not been reported in the country. By 2007 ANAVI estimates that the rest of the country (besides Peten in the north) might also be declared a free area for avian influenza, salmonella, and Newcastle.

Egg production is estimated at 1,721 million units/year, with an average yield of 275 eggs/year/hen. There are close to 350 egg producers in Guatemala, accounting for a total of 7.0 million layers and 4.0 million hens raised for laying purposes. A 3% increase for 2006 has been estimated, based on population growth and consumption. Races used for egg production include: Highline, Lohmann, DeCalb, and Babcock.

The sanitary program in place includes vaccination against Newcastle, avian influenza, salmonella, and laringotraqueitis. All farms under the GPS program are continuously monitored and official authorities are informed immediately of any suspicious disease for control. The surveillance program includes disease detection in backyard poultry production, which accounts for 8% of the country's production at the small farmer level. This amount has dropped from 30% in 2003. Of this 8% (approximately 9.45 million birds), hens and chicken represent 85% of the birds, ducks 13%, and turkeys 2%.

Consumption

Almost all poultry and egg production is directed to local consumption. Per capita consumption of poultry meat is estimated at 33.5 pounds/year and 19.0 pounds of eggs/year. According to ANAVI 90% of poultry consumers prefer whole fresh or refrigerated meat over frozen, though imported leg quarters are very popular due to their lower price. There are no major variations of preferences by socioeconomic sectors, but breasts can only be afforded by 20-30% of the population. Processed products such as ready-to-fry filets and patties are starting to build a market for a small but select sector of society.

Meat from layers and spent hens has a niche in Guatemala since it is greatly appreciated for its intense flavor and is traditionally prepared in soup on Mondays. Though its major consumption is in the interior of the country, wholes can also be found at markets and supermarkets. Consumption of this meat accounts for 6% of poultry production (4.0 million hens to be renewed annually for laying purposes), while the rest is consumed from broilers.

Egg consumption in Guatemala is on a fresh basis. Eggs are neither washed nor refrigerated. Guatemala cannot support a cold chain for eggs. Cutler Company at El Salvador provides pasteurized egg preparations for Central America hotels and some restaurants and franchises.

Poultry meat consumption is still the highest of all meats in the country. Guatemalans consume 33.5 pounds/year per capita of poultry, compared to 8 pounds/year of red meat and 3.5 pounds/year of pork. From the 33.5 pounds of poultry consumption, 27 pounds come from local production and 7 pounds from imported leg quarters.

People show little awareness or concern for food safety and sanitary issues. Consumption is not sensitive to reports of disease outbreaks in the media. Poultry and eggs are still a major protein substitute for red meat and the population is more concerned about price shifts.

Turkey consumption is met primarily by imported product. The window for this market is November-December, since turkey to becoming more popular for Christmas dinner. In 2003, 215 MT of whole turkeys were imported, all coming from the U.S.

Trade

Prices are directly related to input costs, varying considerably depending on price movements for fuel and feed. The wholesale price is generally 30% less than retail. Supermarkets now account for 15% of the total distribution, rising from 5% in 2000. Poultry meat has a very efficient distribution chain, being sold directly to wet markets, hotels, restaurants, and supermarkets. Most of the product is bought at wet markets. Egg distribution is not as efficient, having at least 2 middlemen in the chain.

The current price of poultry meat on a whole fresh basis, i.e. local production, is \$ 0.62/pound, with an average \$ 0.44/pound production cost. Imported leg quarters might be sold for \$ 0.32/pound. Since April 2005, due to the global petroleum price increases, imported poultry meat has risen up to \$ 0.58/pound. In 2003, tariffs for imported poultry meat were lowered to 15%, representing a great opportunity for new business groups that could buy leg quarters for \$ 0.16/pound and still offer very competitive prices for the consumers. In 2004, poultry imports from the U.S. were \$ 41.7 million, the highest export levels reported since 1970.

Under CAFTA, leg quarters have been assigned a TRQ of 21,810 MT and a 164.4% consolidated out of quota tariff. The out of quota tariff is to be kept at that fixed value for 10 years and the quota should be half of that proposed for 2006 by 2015. ANAVI represents the industry in lobbying for changes in Government policies with great support from Multi Inversiones, which has great political influence because it belongs to the wealthiest family in the country and one of the wealthiest in Central America. Multi Inversiones has recently bought Propokodusa, the biggest poultry plant in Costa Rica, with the aim of exporting poultry meat from that country to the rest of Central America. Campero has more than 175 restaurants in 9 countries and is expanding by 200 restaurants in new countries, foreseeing China as a new market for 2006.

Egg prices are less stable than poultry meat prices. Egg prices vary among sizes, with extra large earning a 5% premium. In 2005, the highest price has been \$ 30/box of 360 units (\$ 0.08/unit or \$ 1.00/dozen). Guatemala opened its borders to U.S. eggs in June 2005, which have found a niche in restaurants and hotels that can support a cold chain. U.S. eggs are sold at \$ 25/box of 360 units (\$ 0.07/unit or \$ 0.84/dozen). There are contraband imports of fresh eggs at the Mexican border, placing eggs at \$ 20/box of 360 units (\$ 0.06/unit or \$ 0.72/dozen). Local authorities are greatly concerned about this contraband, roughly 360,000 eggs/month, and confiscated product has been burned to avoid cross contamination of local eggs with Salmonella, since Mexico has high prevalence of the disease while Guatemala is already in a very low prevalence status.

II. STATISTICAL INFORMATION

PSD Table						
Country	Guatemala					
Commodity	Poultry, Meat, Total				(1000 MT)	(MIL HEAD)
	Revised	2004	Preliminary	2005	Forecast	2006
	Old	New	Old	New	Old	New
Market Year Begin		01/2004		01/2005		01/2006
Inventory (Reference)	93	93	100	100	0	125
Slaughter (Reference)	93	93	100	100	0	125
Beginning Stocks	0	0	0	0	0	0
Production	134.99	134.99	145.15	145.15	0	181.44
Whole, Imports	0	0	0	0	0	0
Parts, Imports	41.7	41.7	43.54	43.54	0	21.8
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	41.7	41.7	43.54	43.54	0	21.8
TOTAL SUPPLY	176.69	176.69	188.69	188.69	0	203.24
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	176.69	176.69	188.69	188.69	0	203.24
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	176.69	176.69	188.69	188.69	0	203.24
TOTAL Use	176.69	176.69	188.69	188.69	0	203.24
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	176.69	176.69	188.69	188.69	0	203.24
Calendar Yr. Imp. From U.S.	41.7	41.7	43.54	43.54	0	21.8

PSD Table						
Country	Guatemala					
Commodity	Eggs, Total				(1000 MT)	(MIL HEAD)
	Revised	2004	Preliminary	2005	Forecast	2006
	Old	New	Old	New	Old	New
Market Year Begin		01/2004		01/2005		01/2006
Inventory (Reference)	3.88	3.88	4.00	4.00	0	4.12
Slaughter (Reference)	3.88	3.88	4.00	4.00	0	4.12
Beginning Stocks	0	0	0	0	0	0
Production	106.5	106.5	109.8	109.8	0	113.1
Eggs, Fresh, Imports	0.5	0.5	0.6	0.6	0	0.7
Eggs, Others, Imports	0.06	0.06	0.07	0.07	0	0.08
Intra EC Imports	0	0	0	0	0	0
Other Imports	1.1	1.1	1.2	1.2	0	1.3
TOTAL Imports	1.66	1.66	1.87	1.87	0	2.08
TOTAL SUPPLY	108.16	108.16	111.67	111.67	0	115.18
Whole, Exports	0	0	0	0	0	0
Eggs, Fresh, Exports	0	0	0	0	0	0
Eggs, Others, Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	108.16	108.16	111.67	111.67	0	115.18
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	108.16	108.16	111.67	111.67	0	115.18
TOTAL Use	108.16	108.16	111.67	111.67	0	115.18
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	108.16	108.16	111.67	111.67	0	115.18
Calendar Yr. Imp. From U.S.	0.56	0.56	0.67	0.67	0	0.78